

REMARKS BY LORENZO CREIGHTON
President/COO MGM Grand Detroit
Michigan House Regulatory Reform Committee
Wednesday, March 25, 2009

THANK YOU MR. CHAIRMAN

My name is Lorenzo Creighton. I am the president and chief operating officer of MGM Grand Detroit. Thank you for allowing me to share my thoughts with you today. I would also like to thank the members of this committee who took the time last week to tour our facility in Detroit. It is my hope that those members came away with a better understanding of the investment we make in our employees and our facility.

I ask you to include an exemption in any bill for the casino floor only.

I have been in the gaming industry for over twenty years, establishing gaming and running regional properties around the country, including the Las Vegas strip. My career also includes an extensive background in banking and finance. We have heard from proponents of an all-inclusive ban who would suggest that our business could be enhanced by such a proposal. I can tell you that from my experience in this industry, nothing could be further from the truth.

- MGM Grand Detroit has experimented with smoke-free zones on the gaming floor, which operates at a 40 percent loss when compared to the rest of the gaming floor.
- Our analysis of the potential impact of a ban that does not exempt casinos dictate anywhere between an 11 to 22 percent revenue decline. Our analysis is consistent with other communities.
- All Ontario casinos experienced a reduction in revenues that some experts put at more than 30%. Quebec casinos are down 17.75% and still dropping. Newfoundland casinos are down 18%, while bingo halls (no smoking ban) are up 23%.
- Illinois has seen a drop-off in revenues by 19% since they instituted a smoking ban in January of 2008. In neighboring Iowa, where there is no smoking ban, casinos are seeing an increase in revenues.
- Delaware saw a drop of 20% in revenues at their racinos after enacting a smoking ban in 2002.
- In April of last year, in Atlantic City, the City Council passed a law banning smoking from the entire casino floor, but allowed for enclosed lounges away from slot machines and table games for smoking. The partial ban took effect October 15th of last year, but eight days later, the

council reversed their decision after reports from the New Jersey Casino Control Commission indicated that gaming revenues had declined by 19.5 percent in that seven-day span.

- New Jersey's revenue decline was consistent with that of the former Casino Windsor's experience in 2006 when it went smoke free. In less than 90 days of the ban, Casino Windsor laid-off 300 employees, and reported a 25 percent revenue loss for that year.
- Detroit casinos saw a 30 percent revenue increase for that same period. That trend indicates that Michigan Gamers chose casinos that allowed smoking over what were very favorable exchange rates at the time. To date, Caesar's, which was formerly Casino Windsor, still operates at a 25 percent margin that trails Detroit's casinos.
- If tax revenue in Michigan were to decline as a result of an all inclusive smoking ban as we have seen evidence in other locations, what will fill that gap?
- Our customer base is derived from a 100-mile radius from our facility. Our customers come from as far away as Lansing, Flint, Bay City and Saginaw. This makes us direct competitors with tribal casinos that may be 20 miles closer than our facility.
- A smoking ban that does not allow for casino exemptions create an unfair competitive advantage for those Indian casinos that will not be affected by such a ban. Tribal casinos pay significantly less in gaming revenue taxes, which would also make the state the losers if such flight were to take place as it did from Windsor.
- MGM Grand Detroit is one of southeastern Michigan's largest employers. We have 3,000 employees who earn an average of \$50,000 with full benefits. Fifty percent of our employees are from Detroit, and the rest are from throughout the region.
- In our estimation, an 11 to 22 percent revenue decline would force us to lay-off up to 400 employees.
- Michigan's unemployment rate in January was over 11 percent, the highest in the nation. That rate is doubled in Detroit at 22 percent. Michigan currently has over a million uninsured residents, and its foreclosure rate is among the highest in the nation.
- Last year, MGM Grand Detroit contributed nearly \$127 million in gaming revenue taxes to the city of Detroit and the state of Michigan. Detroit's other two casinos made comparable contributions, not including payroll and income taxes for a combined 9,000 employees.
- MGM Grand Detroit also supports more than 400 community and civic organizations, and their respective programs, not including our charitable giving program.

- MGM Grand Detroit invested nearly \$1 billion in its facility, which includes the most sophisticated air purification system in the country to protect the health of our and our employees and customers.
- Many of you had an opportunity to see how our system works during your visit last week. With me today is Jeffery Jackson, our head of engineering, who will explain how the system works. If it pleases the committee, I would like to defer to him before I conclude my remarks.

JEFFERY JACKSON

- AIR PURIFICATION SYSTEM
- HOW IT WORKS
- HOW MANY TIMES IT RECYCLES AND/OR REPLACES AIR PER HOUR
- AIR CURTAIN THAT PROTECTS DEALERS AT TABLES
- OTHER RELEVANT INFORMATION ABOUT PROTECTING TEAM MEMBERS AND CUSTOMERS

MR. CREIGHTON

- I would like to again thank this honorable body for allowing me to share our thoughts on this most important issue. I will be glad to answer any questions that you may have.
- Thank you.